



# AD PUNCTUM

## Autos & Mobility Industry Briefing -- 10<sup>th</sup> February to 16<sup>th</sup> February 2020

News is arranged by company and topic. Stories that apply to more than one company or topic are duplicated.

### News about the major automakers

#### **BMW** (history)

- CEO Zipse says BMW is on course to reduce EU fleet average CO<sub>2</sub> by 20% in 2020 versus 2019 (therefore meeting regulatory targets and avoiding fines). One third will come from traditional fuel economy improvements, with the remainder from an increase in the mix of all-electric and plug-in hybrid cars. ([Times of India](#))
- Invested in financing comparison service AutoFi. ([BMW](#))

#### **Daimler** (history)

- Reported Q4 and full year 2019 financial results. 2019 revenue of €173 billion rose 3% on a year-over-year basis whilst EBIT fell over (60)% to €4.3 billion (Daimler's adjusted figure was €10.3 billion). CEO Källenius declared himself dissatisfied with the company's ability to translate strong consumer demand into weak bottom line earnings. 2020 guidance is for profits to "significantly" improve. ([Daimler](#))
- Daimler believes that trucks and passenger cars have "huge synergies" but when it came to specifics, all the examples were about electrification, begging the question about what happens when those parts are commoditised..? CEO Källenius cautioned once again that Daimler might not meet 2020 and 2021 EU CO<sub>2</sub> targets if it meant heavily discounting products. ([Seeking Alpha](#))
  - Significance: Ad Punctum continues to find the logic behind these comments troubling. Firstly, no other mainstream competitor is now talking in such terms, creating substantial reputational risk for Daimler if they pay fines whilst others don't; secondly, the fine cost of €95 per gram CO<sub>2</sub> missed per vehicle sold is higher than the additional product cost required to reduce emissions (especially if it pays for a plug-in hybrid), so it doesn't seem to make business sense either.
- Renault is discussing "a whole bunch of ideas" with Daimler for future sharing. ([Seeking Alpha](#))
- Recalling around 300,000 cars to fix wiring problems that could cause a fire. ([Business Today](#))

#### **FCA** (history)

- Expects South America light vehicle industry to increase by 1.5% in 2020, with Brazil growing 6%. ([Reuters](#))
- Stopped production of the 500L in Serbia due to coronavirus-related parts shortages. The factory is a serial downtime candidate due to poor sales and FCA appeared relaxed about a timeline for restarting. ([Reuters](#))

#### **Ford** (history)

- Moved to a four-day week at the Cologne, Germany, factory due to reduced demand for Fiesta. The lower schedule will reportedly remaining in place until the end of the year. ([Automotive News](#))
- Spin, the scooter rental firm owned by Ford, reckons that employing all personnel (as opposed to using contractors, the practice favoured by many rivals) is a competitive advantage because despite higher fully-fringed pay levels it has lower staff turnover and can invest more in training. ([Business Insider](#))

- Mahindra claims that by pooling development costs for a new C-sized SUV with Ford, the two companies will save a collective 10 billion INR (about \$140 million). ([Economic Times of India](#))
- Recalling around 230,000 cars in North America to fix problems with the rear suspension. ([Ford](#))
- Launched a travelling exhibition that will tour Europe and “de-mystify” electric vehicles for consumers. ([Ford](#))
- Recalling recently launched Pumas to fix airbags. ([Autocar](#))
- Ford remains committed to the Australian market, despite GM’s exit. ([Mail Online](#))

### Geely (includes Volvo) (history)

- Upgrading the filters in Chinese-market air conditioning units in response to coronavirus. The company is now researching self-cleaning interior buttons and grab handles ([Geely](#))

### General Motors (history)

- Withdrawing the Holden brand in Australia and New Zealand, and stopping all engineering operations by 2021. The Chevrolet brand will also exit Thailand by 2020, with GM’s plant in the country being sold to Great Wall (who recently purchased a GM factory in India). GM will only sell high end imported vehicles in these markets. GM said that it couldn’t make a business case for local production in Thailand, and without a factory Chevrolet couldn’t be competitive. ([GM](#))
  - Significance: GM continues its course of leaving markets, and their associated facilities, which are marginal or lossmaking. The firm has become quite adept at exiting without controversial wholesale plant closures (thus retaining enough goodwill to continue sales of profitable models), showing willingness to subsidise new owners and even licence IP (e.g. with VinFast).

### Hyundai / Kia (history)

- Kia revealed the next-generation Sorento SUV. The design looks like an homage to [Ford’s Explorer](#). ([Kia](#))
- Hyundai and Kia will use a modified version of Canoo’s (née EVELOZcity) electric rolling chassis for a series of small electric cars and autonomous pods. ([Kia](#))
  - Significance: Following recent investments in, and partnership agreements with, [Rimac](#) for sports cars and [Arrival](#) for commercial vehicles, this investment implies that Hyundai-Kia’s strategy is to licence chassis technology from third parties where the vehicle is outside the current core product portfolio. It also suggests an appetite for risk, since none of these companies have yet demonstrated the ability to produce in volume.

### Mazda

- Recalling around 37,000 cars because of corrosion in the daytime running lights. ([Mazda](#))

### Nissan and Mitsubishi (history)

- Nissan reported Q4 2019 (fiscal Q3) revenue of 2.504 trillion JPY (about \$22.8 billion) fell (18)% from the same period in 2018. Ordinary income was 37 billion JPY (about \$337 million) but there was a net loss of (22) billion JPY (about \$(200) million). The forecast for full year operating income was slashed. ([Nissan](#))

### PSA (history)

- The Opel brand is launching in Colombia and Ecuador. ([Opel](#))

### Renault (history)

- Reported 2019 full year financial results. Sales of 3.8 million units fell (3.4)% on a year-over-year basis. Revenue of €55.5 billion was similarly affected -- down (3.3)% YoY, although Renault said that ignoring exchange it wasn’t quite as bad. Operating income was €2.1 billion, down (30)% versus 2018 and net income was a paltry €15 million. For 2020, Renault hopes that revenue will be about the same, despite expecting sales declines of (3)% - (5)% in its major markets. The Guidance implied that restructuring costs would outweigh operational free cash flow. ([Renault](#))
- Plans to sell a 10% mix of BEV and PHEV in Europe in 2020, plus 10% LPG. The gap to CO<sub>2</sub> target should be closed by roughly one third additional sales of BEV and PHEV, one third ICE improvement and elimination of

worst performing entities and one third through application of super credits (which is really those BEV and PHEVs again). ([Renault Presentation p. 36](#)) Renault aims to sell 100,000 ZOE this year. ([Seeking Alpha](#))

- Plans to reduce fixed costs by at least €2 billion over three years and will announce a series of actions in May within the Renault-Nissan-Mitsubishi alliance to deliver part of this but further details will wait until after the new CEO joins in July. Renault's comments implied that cost savings from using the (brand new) CMF-B platform shared with Nissan were underwhelming because the top hats were engineered separately. ([Seeking Alpha](#))
- Renault is discussing "a whole bunch of ideas" with Daimler for future sharing. With LCV a focus, but not the entire scope of the conversation. ([Seeking Alpha](#))
  - Significance: Given the existing cooperation on the small Citan commercial vehicle, this would imply that a Traffic / Vito / Master / Sprinter tie-up could be on the cards (especially if the FCA/PSA merger means the end of the Traffic / Talento sharing).

### **Tata (includes JLR)** (history)

- Suspended production of the all-electric I-Pace due to a shortage of batteries. JLR expects the stoppage to be temporary but wouldn't comment on the root cause. ([This Is Money](#))

### **Tesla** (history)

- Raising \$2.3 billion by issuing new stock, just days after CEO Musk said he didn't see any need (but we all thought he was going to do it anyway). ([Tesla](#))
- Environmental protestors won a court order forcing Tesla to stop site clearance for the new Brandenburg, Germany, factory to protect animals and woodland but work is likely to ultimately resume. ([Manager Magazin](#))
- A "leaked" copy of Tesla's employee handbook that reinforces the company's preferred image of itself as a no-nonsense, go-getting, ass-kicking, world-changing machine sounded more useful as a propaganda tool than in conveying terms of employment. Also, a book seems a bit old-fashioned, shouldn't it be an app? ([Business Insider](#))
- Recalling around 20,000 Model X (including [3,000 in China](#)) to fix problems with the power steering. ([Reuters](#))

### **Toyota** (history)

- A speech by Toyota's boss in Canada calling for an emphasis on hybrid vehicles over battery electric ones highlighted some of the weaknesses in the company's case: (1) Toyota's economic rationale leans heavily on an assumption of a shortage of battery materials (hypothesised by others but not proven as a long term issue) and; (2) it offers no alternative for achieving zero tailpipe emissions (such as beefing up the relatively puny motors and batteries of conventional, non plug-in, hybrids). ([Driving](#))
- Continued to leverage the virtues of its electrified fleet by raising a \$750 million "green bond" for the captive finance company to offer leases on hybrid cars. ([Toyota](#))
- Made a further investment in Intuition Robotics, a developer of digital companions. ([FINSMES](#))

### **VW Group** (history)

- Škoda's forthcoming all-electric SUV will be called the Enyaq. ([Škoda](#))
- German utility E.ON is installing chargers developed in partnership with VW that use batteries to enable discharging at higher rates than the local grid can support. ([VW](#))
- Audi has started offering virtual factory visits, allowing people to tour the shop floor from the comfort of their armchairs. You still have to book a timeslot though. ([Audi](#))
- Offered to settle a class action suit over the diesel scandal directly to the claimants and over the heads of their lawyers, who VW said wanted too fat a fee. If accepted, it will cost VW €830 million. ([VW](#))
- Closing two coal fired power stations in Germany that supply electricity to VW's sprawling Wolfsburg plant and wants to tear them apart, having declined offers from people hoping to rebuild them. ([Reuters](#))
- Porsche's motorsport boss implied that the brand is considering an electric version of the 718 sports car, whilst playing down the idea that it could be a plug-in hybrid. ([Auto Motor Und Sport](#))

## Other

- **Mahindra** is looking for partners on electric vehicles aiming to “collaborate on the back end and compete on the front end”. The comments imply an interest in new partnerships beyond the [joint venture with Ford](#). ([Autocar](#)) **SoftBank** has been mentioned as a potential investor in Mahindra’s electric vehicle arm. ([Deal Street Asia](#))
- A consortium led by **Gordon Murray Design** unveiled the MOTIV, a small form factor vehicle ready for autonomous sensors and AI. The car is designed for city transit with a top speed of 40 mph. ([GMD](#))
- **Lordstown Motors**, the **Workhorse**-related company that hopes to build electric trucks at an ex-GM plant, might have difficulty obtaining the US government loan that is key to its funding plan. Local lawmakers said they will ensure that it gets the money. ([Detroit News](#))
- **Nikola** unveiled the Badger full size pickup. The brand plans to enter what is increasingly becoming a crowded space with entries from established players and start-ups on the horizon. Nikola’s vehicle features a somewhat unique powertrain -- a high performance fuel cell combined with a massive battery. It probably won’t be cheap. ([Nikola](#))
- **Nio** raised a further \$100 million in short-term debt ([Nio](#)). The firm told employees that January salaries would be paid late, apparently because of coronavirus. ([Bloomberg](#))
- **Westfield** reckons that, for niche car makers, all-electric variants cost around £20,000 - £25,000 more than conventionally powered models. ([Telegraph](#))
- **BYD’s** president says that Chinese electric cars need to become more competitive with Western models, citing a need to improve in safety and reliability. ([Yahoo](#))
- A sketch released by **Lister** suggested that the forthcoming Storm supercar will be electric. ([CarBuzz](#))
- **Pagani** released a Huayra-based supercar called the Imola. ([Automobile](#))
- **Fisker** released an image of a pickup truck called Alaska, then deleted it. ([Car and Driver](#))

## [News about other companies and trends ...](#)

### Economic / Political News

- After announcing an intention to end sales of new non plug-in or zero emissions cars by 2035, a **UK** government minister floated the idea of bringing that forward to 2032. ([BBC](#))

### Suppliers

- **Michelin** reported full year 2019 revenue of €24.1 billion and operating income of €3 billion. ([Michelin](#))
- **Goodyear** reported full year 2019 sales of \$14.7 billion and a net loss of \$(311) million. ([Goodyear](#))
- **Delphi** reported 2019 revenue of \$4.4 billion and operating income of \$141 million. ([Delphi](#))
- **BorgWarner** (which hopes to buy **Delphi**) had 2019 sales of \$10.2 billion and operating income of \$1.3 billion. ([BW](#))
- **AAM’s** 2019 revenue was \$6.53 billion and net loss was \$(485) million. ([AAM](#))

### Dealers

- Indian omnichannel dealer **Shriram Automall** acquired online used car site **Bluejack**. ([Autocar](#))
- Dealer standards are going mad -- a new UK **Ferrari** showroom will cost £9 million. ([Motor Trader](#))
- **SureSale**, a firm that gives used cars a clean bill of health, raised \$7 million. ([TechCrunch](#))

### Ride-Hailing, Car Sharing & Rental (history)

- **Lyft** reported 2019 revenue of \$3.6 billion and a net loss of \$(2.6) billion. Even taking the highly optimistic measure of adjusted EBITDA the net loss was \$(679) million. Lyft seemed pleased and hopes revenue will grow to around \$4.5 billion in 2020 with the adjusted EBITDA loss under \$(500) million. ([Lyft](#))
- **Lyft** is buying rental car provider **Flexdrive** for \$20 million. ([TechCrunch](#))
- Peer to peer car rental firm **Turo** raised \$30 million. ([Phocuswire](#))

## Driverless / Autonomy (history)

- An ex-**Waymo** driver took out his frustrations on one of the firm's self-driving cars in Arizona, causing a crash. Don't rush to call the opening shots of a new luddite rebellion though, he was sacked for poor performance, not replaced by a robot. ([The Verge](#))
- **Yandex** has spent \$35 million on self-driving research and is running at around \$9 million per quarter. ([Reuters](#))
- Lighting supplier **Koito** invested \$50 million in lidar firm **Cepton**. ([Koito](#))

## Electrification (history)

- Indian moped rental firm **Fae Bikes** started a charging network. ([Charzer](#))
- Electricity firm **EDF** acquired a majority stake in charging provider **Pod Point**. ([EDF](#))
- **Renault** says that about 80% of charging by French customers is at home or at the office, with the remainder being on public facilities. The company admitted to being surprised by the high interest from rural customers, with 50% of cars going to owners outside cities. ([Seeking Alpha](#))
- **German** utility E.ON is installing chargers developed in partnership with **VW** that use batteries to enable discharging at higher rates than the local grid can support. ([VW](#))
  - Significance: Although this philosophy has been employed before, the application in Germany matters because many engineers at German-based OEMs have convinced themselves that the potential for electric vehicles in the country is low because of the low power levels of the local grid. This method (albeit at a fairly large unit cost) may change their minds, and the attitude of the departments they lead.
- **Hyundai** and **Kia** will use a modified version of **Canoo's** electric rolling chassis for a series of small electric cars and autonomous pods. ([Kia](#))
- **Westfield** reckons that, for niche car makers, all-electric variants cost around £20,000 - £25,000 more than conventionally powered models. ([Telegraph](#))
- **BYD's** president says that Chinese electric cars need to become more competitive with Western models, citing a need to improve in safety and reliability. ([Yahoo](#))

## Other

- **BP** wants to be fully carbon neutral by 2050, offsetting all CO<sub>2</sub> resulting from the oil and gas it produces. It is unclear how this will be achieved. ([Reuters](#))